



**Billing Code 6325-63**

**OFFICE OF PERSONNEL MANAGEMENT**

**5 CFR Part 870**

**RIN 3206-AM96**

**Federal Employees' Group Life Insurance Program: Options B and C**

**AGENCY:** U.S. Office of Personnel Management.

**ACTION:** Final rule.

**SUMMARY:** The U.S. Office of Personnel Management (OPM) is issuing a final rule to amend the Federal Employees' Group Life Insurance (FEGLI) regulation to provide a second reduction election opportunity for annuitants and compensationers enrolled in FEGLI Option B and Option C. This new procedure replaces the procedure by which FEGLI enrollees elect the allowable multiples of coverage they wish to continue during retirement or while receiving compensation.

**DATES:** Effective [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER].

**ADDRESSES:** Send written comments to Ronald Brown, Planning and Policy Analysis, U.S. Office of Personnel Management, Room 4312, 1900 E Street NW, Washington, DC 20415. You may also submit comments using the *Federal eRulemaking Portal*: <http://www.regulations.gov>. Follow the instructions for submitting comments.

**FOR FURTHER INFORMATION CONTACT:** Ronald Brown, Policy Analyst, (202) 606-0004, or by e-mail to [Ronald.Brown@opm.gov](mailto:Ronald.Brown@opm.gov).

**SUPPLEMENTARY INFORMATION:** On October 30, 1998, Public Law 105–311, 112 Stat. 2950, was signed into law. This law, the Federal Employees Life Insurance Improvement Act,

changed many parts of the FEGLI Program. Before the enactment of Public Law 105–311, Option B and C coverage began to reduce for annuitants when they reached age 65. Both coverages reduced by 2% per month until there was no coverage left. This reduction was automatic, and annuitants had no choice.

Public Law 105–311 allows annuitants and persons becoming insured as compensationers to make an election at retirement as to whether they want their Option B and Option C coverage to reduce.

Previous FEGLI regulations provided that shortly before an individual’s 65th birthday, he/she would receive a reminder notice, showing what reduction the annuitant/compensationers elected at the time of retirement and what the premiums would be for coverage beyond age 65. The individual then had an opportunity to change his/her reduction election; including choosing to have some multiples of Optional insurance reduce and others not reduce. For persons who were already over age 65 at the time of retirement or becoming insured as a compensationers, the reminder notice was sent as soon as the retirement processing was completed.

On October 1, 2010, OPM published FEGLI final regulations (75 FR 60573) with miscellaneous changes, clarifications, and corrections, including a change made to 5 CFR 870.705(b) and 870.705(d) ending the reduction election opportunity at age 65.

OPM published a FEGLI proposed rule in the Federal Register, 78 FR 77365, December 23, 2013, proposing to reverse the changes to 5 CFR 870.705(b) and 870.705(d) authorized on October 1, 2010, and inviting public comments. The December 23, 2013 rule proposed to restore

the second election opportunity for annuitants and compensationers who attain age 65. OPM received no comments and will implement the rule as proposed.

## **Changes**

Public Law 105–311, the Federal Employees Life Insurance Improvement Act, 112 Stat. 2950, enacted October 30, 1998, amended chapter 87 of title 5, U.S. Code, to allow retiring employees to elect either No Reduction or Full Reduction for their Option B and Option C coverage. This election was to be made at the time of retirement, the same as the election for Basic insurance. Implementing this provision required programming changes to the electronic records system for annuitants to allow for “mixed” elections, *i.e.*, electing reductions for some coverage, but not for other coverage. While these system changes were being made, annuitants were required to elect either No Reduction or Full Reduction for all Option B and Option C multiples at the time of retirement. Then, shortly before the annuitant’s 65th birthday, the insured was given a second opportunity to make a reduction election, this time being allowed to choose No Reduction for some multiples and Full Reduction for others. While the law states that the reduction election must be made at the time of retirement, enrollees affected by this provision have expressed interest in having a second reduction election opportunity. Thus, we are restoring the opportunity for a second election at age 65. This change can be found in §870.705(b) and §870.705(d).

## **Regulatory Impact Analysis**

OPM has examined the impact of this rule as required by Executive Order 12866 and Executive Order 13563, which directs agencies to assess all costs and benefits of available

regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public, health, and safety effects, distributive impacts, and equity). A regulatory impact analysis must be prepared for major rules with economically significant effects of \$100 million or more in any one year. This rule is not considered a major rule because there will be a minimal impact on costs to Federal agencies.

### **Regulatory Flexibility Act**

I certify that this regulation will not have a significant economic impact on a substantial number of small entities because the regulation only affects life insurance benefits of Federal employees and retirees.

### **Executive Order 12866, Regulatory Review**

This rule has been reviewed by the Office of Management and Budget in accordance with Executive Order 12866.

### **Federalism**

We have examined this rule in accordance with Executive Order 13132, Federalism, and have determined that this rule will not have any negative impact on the rights, roles and responsibilities of State, local, or tribal governments.

### **List of Subjects in 5 CFR Part 870**

Administrative practice and procedure, Government employees, Life insurance, Retirement.

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Beth F. Cobert,  
Acting Director.

Accordingly, OPM is amending 5 CFR part 870 as follows:

**PART 870—FEDERAL EMPLOYEES’ GROUP LIFE INSURANCE PROGRAM**

1. The authority citation for 5 CFR part 870 is revised to read as follows:

**Authority:** 5 U.S.C. 8716; Subpart J also issued under section 599C of Pub. L. 101–513, 104 Stat. 2064, as amended; Sec. 870.302(a)(3)(ii) also issued under section 153 of Pub. L. 104–134, 110 Stat. 1321; Sec. 870.302(a)(3) also issued under sections 11202(f), 11232(e), and 11246(b) and (c) of Pub. L. 105–33, 111 Stat. 251, and section 7(e) of Pub. L. 105–274, 112 Stat. 2419; Sec. 870.302(a)(3) also issued under section 145 of Pub. L. 106–522, 114 Stat. 2472; Secs. 870.302(b)(8), 870.601(a), and 870.602(b) also issued under Pub. L. 110–279, 122 Stat. 2604; Subpart E also issued under 5 U.S.C. 8702(c); Sec. 870.601(d)(3) also issued under 5 U.S.C. 8706(d); Sec. 870.703(e)(1) also issued under section 502 of Pub. L. 110–177, 121 Stat. 2542; Sec. 870.705 also issued under 5 U.S.C. 8714b(c) and 8714c(c); Public Law 104–106, 110 Stat. 521.

**Subpart G—Annuitants and Compensationers**

2. Amend § 870.705 by revising paragraph (b)(3)(ii), adding paragraph (b)(4), and revising paragraph (d)(1)(i) to read as follows:

**§ 870.705 Amount and election of Option B and Option C.**

\* \* \* \* \*

(b) \* \* \*

(3) \* \* \*

(ii) Except as provided in paragraph (b)(4) of this section, after reaching age 65, an annuitant or compensationner cannot change from Full Reduction to No Reduction.

(4)(i) Shortly before an annuitant or compensationers' 65th birthday, an annuitant's retirement system will send a reminder about the post-age-65 reduction election he/she made and will offer the individual a chance to change the initial election made at the time of retirement.

(ii) If the individual is already 65 or older at the time of retirement or becoming insured as a compensationers, the retirement system will process the retirement using the current Continuation of Life Insurance Coverage (SF 2818) on file, send the reminder, and give the opportunity to change the election as soon as the retirement processing or compensation transfer is complete.

(iii) If the individual assigned his/her insurance as provided in subpart I of this part, and if the employee elected No Reduction for Option B coverage at the time of retirement or becoming insured as a compensationers, the retirement system will send the reminder notice for Option B coverage to the assignee.

(iv) An annuitant or compensationers who wishes to change his/her reduction election must return the notice by the end of the month following the month in which the individual turns 65, or if already over age 65, by the end of the 4th month after the date of the letter. An annuitant or compensationers who does not return the election notice will keep his/her initial election or the default election, as applicable.

\* \* \* \* \*

(d)(1) \* \* \*

(i) Annuitants and compensationers who were under age 65 were notified of the option to elect No Reduction. The retirement system will send these individuals an actual election notice before their 65th birthday, as provided in paragraph (b)(4) of this section.

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